DOCUMENT RESUME

ED 230 109 HE 016 172

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TITLE Higher Education Financing in the Fifty States: Significance for the 'Adams' States.
PUB DATE Oct 80
NOTE 14p.; Paper pressented at the Annual Meeting of the Southern Association for Institutional Research (Louisville, KY, October 30-31, 1980). This paper was identified by a joint project of the Institute on Desegregation at North Carolina Central University and the ERIC Clearinghouse on Higher Education at The George Washington University.
PUB TYPE Reports - Descriptive (141) -- Speeches/Conference Papers (150)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *College Desegregation; Comparative Analysis; Court Litigation; *Educational Finance; *Enrollment Trends; Expenditures; *Federal Aid; Financial Support; Higher Education; Income; Local Government; Public Education; *State Colleges; State Government; Tax Effort
IDENTIFIERS Adams v Richardson; Arkansas; Florida; Georgia; Louisiana; Maryland; Mississippi; North Carolina; Oklahoma; Pennsylvania; Virginia

ABSTRACT

Findings of a study on higher education financing in the states are summarized with specific reference for the states covered by the 1977 Adams versus Richardson decision. The study, "Higher Education Financing in the Fifty States: Interstate Comparisons" (Marilyn McCoy, D. Kent Halstead), was jointly issued by the National Center for Higher Education Management Systems, the National Institute of Education, and the U.S. Department of Health, Education and Welfare. The Adams class action suit was filed to compel the federal government to enforce Title VI of the 1964 Civil Rights Act by halting federal funds to the affected states. Study data are organized into four major components: enrollment in public colleges and universities, state and local government finances, institutional revenues, and institutional expenses. A sample financing diagram provides information about the status of state and local higher education funding for fiscal year 1976 for Kentucky. Findings concerning the four study components are summarized for the "Adams States": Arkansas, Florida, Georgia, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, Pennsylvania, and Virginia. (SW)

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HIGHER EDUCATION FINANCING IN THE FIFTY STATES: SIGNIFICANCE FOR THE 'ADAMS' STATES

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Prepared for the 1980 Southern Association for Institutional Research Conference, Louisville, Kentucky, October 30-31, 1980

HE016172

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INSTITUTE ON DESEGREGATION

ERIC CLEARINGHOUSE ON HIGHER EDUCATION/INSTITUTE ON DESEGREGATION

COOPERATIVE PROJECT

This paper has been identified by a joint project of The Institute on Desegregation at North Carolina Central University and ERIC Clearinghouse on Higher Education at George Washington University. The purposes of this project are to identify, collect, and make available literature concerned with

(1) the problems of minority students in higher education in general and
(2) the problems of desegregation in historically black colleges and universities in particular.

New published and unpublished materials are reviewed and recommended by participants of the Institute on Desegratation's Interinstitutional Research Group (ID/IRG) for acquisition by ERIC Clearinghouse on Higher Education. An annual bibliography of this material will be published under the names of ERIC and the Institute.

Various types of materials are being solicited, especially unpublished and unindexed materials, as well as publications, produced by faculty and staff members. Included in these may be unpublished faculty studies, institutional research studies, master's theses, monographs, papers presented at professional meetings, articles from general and scholarly periodicals, and conference and workshop proceedings not covered by ERIC Clearinghouse on Higher Education.

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If additional information is needed about this cooperative project or the criteria for selection of materials, please write or call the Director of the Institute on Desegregation at 919/683-6433, North Carolina Central University, Durham, North Carolina 27707.

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HIGHER EDUCATION FINANCING IN THE FIFTY STATES:

SIGNIFICANCE FOR THE 'ADAMS' STATES

In September, 1979, a publication was jointly issued by the National Center for Higher Education Management Systems (NCHEMS), the National Institute of Education (NIE) and the U.S. Department of Health, Education, and Welfare which is sure to be a landmark study in higher education financing:

> McCoy, Marilyn, and Halstead, D. Kent. Higher Education Financing in the Fifty States: Interstate Comparisons, FY1976. USGPO, Washington, D. C. 1979.

Because of the scope of this study, as well as its probable impact on institutional research and planning, it behooves every practicing institutional researcher to become familiar with this study, its implications, and its limitations.

The purpose of this paper is to briefly introduce this study and to highlight some of the findings with specific relevance for the states covered by the 1977 Adams decision.

The Adams States

In 1969, the Department of Health, Education, and Welfare's Office of Civil Rights found that ten states (**ARKANSAS**, **FLORIDA**, **GEORGIA**, **LOUISIANA**, **MARYLAND**, **MISSISSIPPI**, **NORTH CAROLINA**, **OKLAHOMA**, **PENNSYLVANIA**, and **VIRGINIA**) were operating dual higher education systems in violation of Title VI of the 1964 Civil Rights Act. In 1970 a comprehensive class action suit, Adams v. Richardson (356 F.Supp. 92 D.D.C. 1973) was filed to compel H.E.W. to enforce Title VI by halting federal funds to the affected states.

The issue has not yet been settled. At this time, the Adams States are struggling to develop state-wide desegregation plans that satisfactorily acknowledge the continuing contributions by and needs of the traditionally black institutions and that are acceptable to H.E.W. As deliberations continue, the financial status of these States will be of increasing interest, both to the institutions and coordinating boards within these States, and to those in the federal government who must make decisions concerning the future of higher education within these States.

The Model

Data analyzed in this study havebeen organized into four major components:

* enrollment in public institutions of higher education
* state and local government finances
* institutional revenues
* institutional expenditures

An important feature of this study is that most of the data are **indexed** relative to the national average, which is set at 100. These indexes provide an important reference about relatively high or low position, suggesting conditions an individual State may wish to examine. Caution must be exercised, however, that comparisons be made only with similar States and similar groups of institutions.

The Financing Diagram (See Page 3)

A financing diagram provides information about the status of State and

PUBLIC ENROLLMENTS
(per 1000 population)

#1 HIGH SCHOOL GRADUATES: 14 (33) × #2 ENTRANCE RATE TO PUBLIC INSTITUTIONS: 42% (79) = #3 FIRST TIME RESIDENT ENROLLMENT: 5.7 (85) + #4 IN MIGRATION TO PUBLIC INSTITUTIONS: .8 (87) =

#5 FIRST TIME ENROLLMENT: 6.5 (87) ×

#6 RETENTION FACTOR (Relationship of first time to total enrollment): 4.7 (111) ×

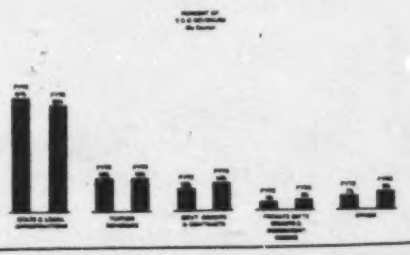
#7 CONVERSION FACTOR (Headcount to FTE): .79 (100) =

#8 FTE ENROLLMENT IN PUBLIC INSTITUTIONS: 24.4 (82)

TRENDS IN STATE AND LOCAL E&G APPROPRIATIONS TO HIGHER EDUCATION FY 75 to FY 76

	Number of Institutions in Each Category	FTE Enrollment (Fall)	$ Appropriations FY76	Percent Change in Appropriations FY75 to FY76	Change in FTE Enrollment Fall 1975 to Fall 1976	Change in Appropriations Per Student FY75 to FY76	Change in Constant Dollar Appropriations Per Student FY75 to FY76
Public Institutions	9	83,115	$188,280,614	11.7%	14.3%	-2.2%	-6.3%
Major Doctoral Institutions	2	38,988	104,864,743	14.1	17.1	-2.6	-5.8
Comprehensive Institutions	3	28,868	61,736,498	6.6	14.0	-6.5	-12.3
Baccalaureate Institutions	3	6,260	11,757,752	9.4	15.3	-5.0	-11.0
Two Year Institutions	1	10,750	9,366,520	28.4	26.1	1.9	-4.8
Health Professional Institutions	-	-	-	-	-	-	-
Other Professional & Specialized Schools	1	5,849	11,752,901	0.4	9.3	-7.9	-15.0
Independent Institutions	29	10,000	0	0	0.3	0	0

TRENDS IN THE MIX OF SUPPORT TO PUBLIC HIGHER EDUCATION FY 72 to FY 76



INSTITUTIONAL REVENUES
(Educational & General per student)

INSTITUTION	STUDENT AID (per capita)	#14 STATE & LOCAL APPROPRIATIONS (per student)	#15 OTHER REVENUES: TUITION (per student)	LOCAL GOVT. CONTRACTS (per student)	PRIVATE GIFTS & GRANTS (per student)	OTHER (per student)	#16 TOTAL E&G REVENUES (per student)
PUBLIC	24 23	$55.7 91	24.4 87	$2286 112	$653 119	$594 114	$202 108	$371 172	$4106 119
Major Doctoral Granting		30.8 129	8.9 98	3495 132	853 104	1219 123	488 152	872 188	6897 131
Comprehensive		15.2 119	8.3 138	1827 91	570 105	216 73	18 45	293 262	2924 98
General Baccalaureate		3.5 145	+ 1.8 178	= 1880 115	+ 800 98	+ 522 148	+ 0 1	+ 80 77	= 3081 113
Two Year		2.8 18	3.8 32	774 55	480 31	0 0	93 854	0 0	1267 64
Health Professional		0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
Other Professional		3.5 120	1.7 116	2030 104	803 54	481 116	0 0	280 168	3304 105
INDEPENDENT	27 21	0 0	5.0 55	0 0	1308 56	381 36	1310 133	184 43	3143 84

PERCENT DISTRIBUTION
Institutional Revenues

56 94	16 100	14 96	5 151	9 45
52 101	13 89	18 94	7 147	10 122
62 93	19 106	7 75	1 46	10 267
61 102	19 87	17 133	0 1	2 88
61 86	32 203	0 0	7 1336	0 0
0 0	0 0	0 0	0 0	0 0
80 100	18 98	14 11	0 0	8 100
0 0	44 87	10 47	42 200	5 57

INSTITUTIONAL EXPENDITURES
(Educational & General per student)

	INSTRUCTION (per student)	RESEARCH (per student)	PUBLIC SERVICE (per student)	OTHER (per student)	TOTAL (per student)
PUBLIC	1435 95	386 114	425 388	1875 143	4122 125
Major Doctoral Granting	2343 115	1822 115	1020 203	3660 154	8844 149
Comprehensive	1851 71	17 15	107 147	1080 133	3035 97
General Baccalaureate	1080 89	84 107	158 258	1756 132	3081 112
Two Year	729 75	0 0	0 0	541 62	1270 57
Health Professional	0 0	0 0	0 0	NA 0	0 0
Other Professional	1044 72	1 1	46 88	1748 122	2840 91
INDEPENDENT	1224 95	2 0	23 22	1877 92	3138 95

PERCENT DISTRIBUTION
Institutional Expenditures

PUBLIC	35 77	9 91	10 388	45 115
Major Doctoral Granting	32 82	15 92	15 107	39 110
Comprehensive	37 73	1 15	4 151	50 137
General Baccalaureate	33 72	3 158	5 251	58 118
Two Year	57 111	0 0	0 0	43 92
Health Professional	0 0	0 0	0 0	NA 0
Other Professional	37 75	0 3	2 76	62 124
INDEPENDENT	39 102	0 0	1 34	60 127

STATE & LOCAL FINANCES
(per capita)

#9 STATE & LOCAL TAX CAPACITY: $575 (98) × #10 TAX EFFORT: 81% (91) = #11 STATE & LOCAL TAX REVENUES: $465 (72)

#12 ALLOCATION TO PUBLIC HIGHER EDUCATION: 12% (125) ×

#13 STATE & LOCAL APPROPRIATIONS TO PUBLIC HIGHER EDUCATION: $55.7 (91) =

(Indexes shown in red are based on U.S. average = 100)

* Unseparated programs at Major Doctoral Institutions

KENTUCKY

KENTUCKY

While Kentucky public institutions experienced a constant dollar decline of about 8.3% in FY76 in State and local support, only the two-year institutions (which enroll 15% of the public student population) operate with total financial resources at levels substantially below U.S. averages (below by 36%). The university sector (enrolling about 40% of the State's students) by contrast has total budgets that are 30% above average, allowing them to spend more on instruction, research, and public service than their counterpart institutions in other States.

The 8.3% constant dollar decline came despite a 12% increase in appropriations levels, because enrollments increased at an even greater rate of 14%. This brought appropriations per student to $2286, a level that while 12% above the U.S. average, is 2% less per student than that received the previous year. In real dollar terms, the value of this appropriation is reduced further (to a decline of 8.3%).

Taxpayers in Kentucky provide $56 per capita to higher education, an amount 9% below the average of all States. This level of support appears to be most directly related to the low level of enrollments in the State (11% below average). Public enrollments are low due to less than average entrance or progression rates from high school to college as well as low numbers of out-of-state students. Nevertheless, since appropriations are not as low as enrollments, per student support in the public sector is 12% above average rates.

The universities in Kentucky, in addition to receiving above average State appropriations, also get substantial revenues from tuition, grants and contracts and other sources, thereby establishing high total revenues. While State funds are below average by 9% for the comprehensive colleges, these institutions receive relatively high revenues from other sources so that total revenues are near average. Baccalaureate and other professional schools receive above average total support (indexed at 113 and 105, respectively). Only two-year schools which receive 55% of average State and local appropriations and 64% of average total per student revenues operate at levels substantially below the average. Still, these institutions were one of two sectors (including the university) that had appropriation increases greater than enrollment growth (before adjustment for inflation).

local higher education funding for FY1976 for each State. In broadest terms, appropriations are derived from the State's financial strength in relationship to institutional enrollments, supplemented by revenues from other sources, and utilized according to expenditure patterns. This set of interrelationships is reflected in the financing diagram.

In the upper left portion of the diagram, **public enrollments** are derived from high school graduates, in-migration of students from other States, and the enrollment of continuing students. At the lower left, appropriations are derived from **State and local finances** depending on the tax capacity in the State, efforts to tax that capacity, and the allocation of taxes to higher education. Enrollments and finances are presented on a per-capita basis as the capacity and responsibility for supporting higher education rests with the population.

The institutional category section of the diagram relates appropriations and students according to the State's enrollment profile by type of institution. **Institutional Revenues** combine State and local appropriations with revenues from other sources. In this section (as opposed to the previous State & Local section) revenues are expressed on a per-student rather than per-capita basis. Finally, institutional revenues are converted to **Expenditures** to show the utilization of all financial support.

A short **Commentary** highlights for each state major aspects of that State's higher education financing profile.

Important Cautions to the Reader

This entire study is a **review edition**. Data presented here are for **FY1976**. Clearly the information is dated and mainly useful as background material. The data should not be employed in current decision-making.

A number of data comparibility problems were identified. These are discussed in detail on pages 149 to 152 of the report and should be read carefully prior to examining any individual State's profile.

There is no "ideal" funding; neither is there any "good" or "bad" connotations attached to State rankings.

Prior interpretation and assessment of higher education financing requires in-depth study of each State's entire data. Even this cursory attempt to isolate a few States for comparison requires the utmost caution. Nonetheless, this study is certainly a milestone, a first attempt to interrelate major factors of financing higher education. It will shortly be reissued by the authors using more recent data and a considerably expanded format. It is sure to create a great deal of discussion in the coming months. The director of every institutional research office should be familiar with the study, its content and its limitations.

Overview of Findings for the 'Adams' States

Enrollment in Higher Education

In FY1976 the national average full-time-equivalent enrollment in public institutions per 1,000 population was 29.8. North Carolina (29.4), Maryland, (29.4) and Louisiana (28.6) were very close to the national average.

Pennsylvania (8.6), Arkansas (21.2) and Georgia (22.7) enrolled below the average in public higher education. In all three cases these figures paralleled both low first-time entrance rate to public institutions and low in-migration to public institutions from other States.

Mississippi (31.8) and Oklahoma (35.2) enrolled more students in public higher education institutions than their counterpart Adams states. The entrance rate of high school graduates in Mississippi was very high--184% of the national average. In Oklahoma, in-migration from the other States was 154% of the national average.

State and Local Finances

Per capita state and local appropriations to public institutions during FY1976 in the Adams States ranged from average to low. The components of this measure were tax **capacity**, which was multiplied by tax **effort**; then only that portion of total tax revenue that was allocated specifically to public higher education was considered.

North Carolina reported "average" per capita state and local appropriations to public institutions during FY1976, at $ 60.7 per 1,000 population. Mississippi was nearly average, at $ 59.3, and Maryland at $ 56.5.

Pennsylvania was ranked 48th among the states, at $ 37.2 per 1,000 population. Although tax capacity and tax effort were average in Pennsylvania, only 6% was allocated to higher education, compared with a 9.5% national average.

Oklahoma, Arkansas, and Georgia were ranked numbers 39, 41, and 43, respectively. Oklahoma, with average tax capacity, made a weak tax effort, only 77% of the national average. Arkansas, with weak capacity (78% and weak effort (79%), nonetheless allocated more than the norm (120%) to public higher education. Georgia displayed weak capacity, a weak tax effort, and an average allocation to higher education.

The other Adams' States were somewhat below the average with regard to State and local finances. Virginia and Florida registered at 81% of the national averages, and Louisiana at 79%. Louisiana and Florida, although they had good tax capacity, made weak efforts to tax that base. The allocation to higher education was good in Florida (10%) but just average in Louisiana (9%). Virginia had adequate tax capacity, somewhat weak tax effort, and allocation at the national average.

Educational and General Revenues per FTE Student

The educational and general revenues per FTE student at all public institutions in FY1976 averaged $ 3,443 nationally. Mississippi, North Carolina, and Georgia were right at the average. Arkansas and Maryland were slightly above the mean, and Florida and Virginia slightly below.

Pennsylvania was considerably above the norm, at $ 4,013 per FTE student (117%). This is a combination of two factors: although the State and local appropriations to public higher education were below the mean (61%), so were FTE enrollments in public institutions (63%), in effect cancelling each other out when expressed as State and local appropriations per FTE student. Also, tuition at public institutions, at $ 1,124 per student, was double the national norm.

Oklahoma ($ 2,366 per FTE student) and Louisiana ($ 2,597) were ranked numbers 50 and 48, respectively, among the states in this indicator. Oklahoma, with more-than-average enrollments in public instituitons (118%) and lower-than-average State and local appropriations to public higher education (77%) was doubly penalized. Relatively low tuition and other revenues contributed to the lower overall rating. Louisiana had a "typical" FTE enrollment but low State and local appropriations (79%); relatively low

tuition and other revenues did not compensate for funding shortfalls in that state.

Other information available from this model but not discussed in this paper are the distribution of revenues and expenditures among the various types of public institutions within the State, limited information on the financing of independent institutions within the States, and trend analysis from FY1975 to FY1976.

Again, cautions are necessary to interpret the data. However, the model presented in this study, and the way the data are interrelated, provide an example of one of the most creative approaches to analysis of finances of higher education in recent years.